Summit Financial Resources, Inc.

Investment Newsletter May 2011

Monthly Summary

Economic pressures and diminished growth were evident throughout the month of May. The labor market weakened with initial jobless claims rising substantially. Friday's payroll report will likely be disappointing. Growth in the service and manufacturing sectors remained positive, but each dropped from higher levels earlier in the year (see graph on next page). Improvement in industrial production and capacity utilization has been harder to achieve this year with both indices falling in April for the second time in three months. These facts, combined with elevated food and energy prices and a new leg down in the real estate market, drove a sharp drop in consumer confidence this month.

The capital markets were not immune to weaker economic fundamentals. Risk assets such as stocks and commodities pulled back during the month while bonds performed fairly well. Following month-end, both trends continued with stocks continuing to drop and the 10-year U.S. Treasury yield falling below 3.0% for the first time since the fourth quarter of last year.

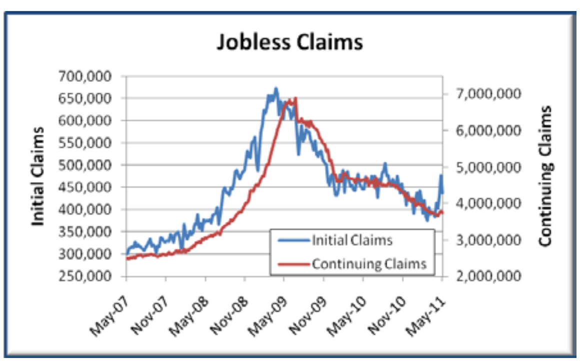
Key issues to watch over the coming month include movement on the U.S. government debt ceiling, European sovereign debt issues and related bank stress test results, continued global policy tightening (both fiscal and monetary), Middle East tensions, and developments on the inflation front. As for the last issue, we point out that the TIPS market is strongly aligned with the Federal Reserve's expectation that current inflationary pressures are transitory.

May's Economic Releases

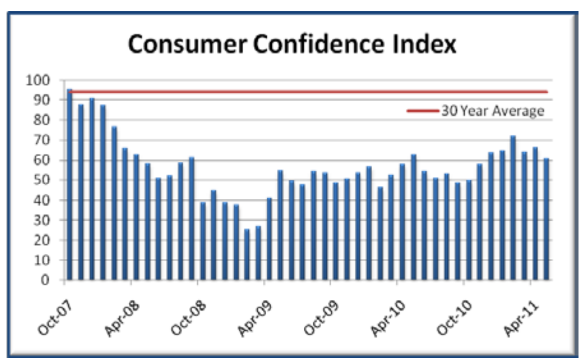
General	Prior	Current
GDP growth	3.1% (Q4)	1.8% (Q1)
Trade balance	-$-45.4 B (Feb)	-$48.2 B (Mar)

Employment	Prior	Current
Initial jobless claims	414,000	424,000
Continuing claims	3.7 MM	3.7 MM
Nonfarm payrolls	221,000 (Mar)	244,000 (Apr)
Unemployment rate	8.8% (Mar)	9.0% (Apr)
Average weekly hours	34.3 (Mar)	34.3 (Apr)

Consumer	Prior	Current
Consumer confidence index (Conf. Board)	66.0 (Apr)	60.8 (May)
Retail sales growth (YoY)	6.8 % (Mar)	6.7% (Apr)
Consumer credit	$7.6 B (Feb)	$6.0 B (Mar)



Data Source: U.S. Department of Labor

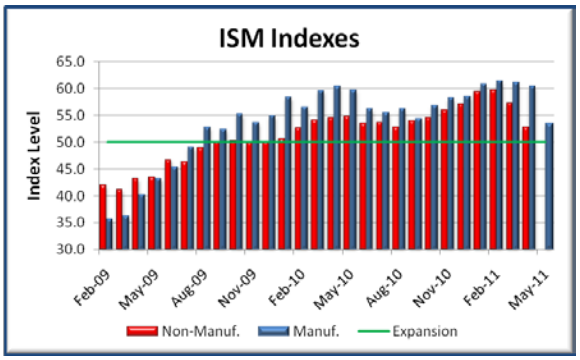


Data Source: The Conference Board

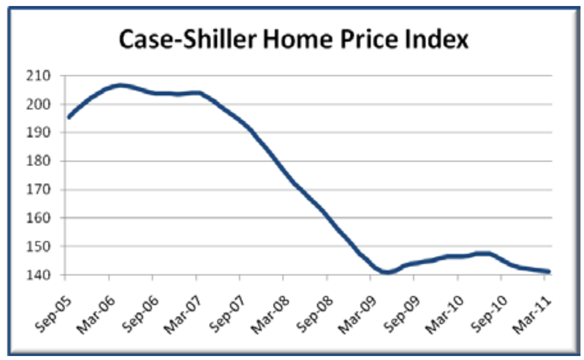
Manufacturing & Service	Prior	Current
ISM manufacturing index	61.2 (Mar)	60.4 (Apr)
ISM non-manufacturing index	57.3 (Mar)	52.8 (Apr)
Durable goods orders growth	4.4% (Mar)	-3.6% (Apr)
Industrial production growth	0.7% (Mar)	0.0% (Apr)
Capacity utilization	77.0% (Mar)	76.9% (Apr)

Real Estate	Prior	Current
New home sales	301,000 (Mar)	323,000 (Apr)
Existing home sales	5.1 MM (Mar)	5.1 MM (Apr)
Case-Shiller home price index (YoY)	-3.4% (Feb)	-3.6% (Mar)

Inflation	Prior	Current
Consumer price index/Core (YoY growth)	2.7%/1.2% (Mar)	3.2%/1.3% (Apr)
Producer price index/Core (YoY growth)	5.8%/1.9% (Mar)	6.8%/2.1% (Mar)



Data Source: Institute for Supply Management



Data Source: S&P/Case-Shiller

Market Returns

The S&P 500 index lost 1.1% for the month and is now up 7.8% for the year. Internationally, the MSCI EAFE Developed Markets index dropped 3.0% in May while the corresponding Emerging Markets index gave up 2.6% for the period. Year-to-date, international developed and emerging markets have gained 6.3% and 2.5%, respectively. Dollar weakness has materially enhanced international investment returns so far this year.

In the fixed income market, the Barclays U.S. Aggregate index was up 1.3% for the month and the 10-year U.S. Treasury bond ended with a yield of 3.05%, down approximately 25 bps for the month and the year. Year-to-date, the Barclays U.S. Aggregate has gained 3.0%. Commodities, particularly challenged this month, gave up 5.1% while publicly traded REITs continued their climb with a May gain of 1.0%.

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